

**FAYETTE COUNTY SOLID WASTE
MANAGEMENT COMMISSION**

**INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

June 30, 2004

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION

Table Of Contents

	<u>Page</u>
OFFICIALS	1
INDEPENDENT AUDITORS' REPORT	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-7
BASIC FINANCIAL STATEMENTS	<u>Exhibit</u>
Statement of Net Assets	A..... 9
Statement of Revenues, Expenses and Changes in Net Assets.....	B..... 10
Statement of Cash Flows.....	C..... 11
Notes to Financial Statements	12-18
SUPPLEMENTAL INFORMATION	<u>Schedule</u>
Combining Statement of Net Assets	1 20
Combining Statement of Revenues, Expenses and Changes in Net Assets.....	2 21
Combining Statement of Cash Flows	3 22
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING	23-24
SCHEDULE OF FINDINGS	25-26

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION

OFFICIALS

June 30, 2004

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Duane Brandt	Chairperson	City of Oelwein
Ben Hunsberger	Vice-Chairperson.....	Fayette County
Donald Handel.....	Member	City of Arlington
Ardith Barnes	Member	City of Clermont
Dale Hageman	Member	City of Elgin
George Capell.....	Member	City of Fayette
John Bunn	Member	Fayette County
Mike Kennedy	Member	Fayette County
Richard Jensen	Member	Fayette County
Jack Frey	Member	Fayette County
Keith Kovarik.....	Member	City of Hawkeye
Bruce Suckow	Member	City of Maynard
Geraldine Winke.....	Member	City of Randalia
Clarence Schwamman	Member	City of St. Lucas
Edwin Gage.....	Member	City of Wadena
Gary Gossling	Member	City of Waucoma
Randy Moore.....	Member	City of Westgate
Robert Gage.....	Member	City of West Union

Supervisory Personnel

<u>Name</u>	<u>Position</u>
Joan Swenka.....	Executive Secretary
Cindy Wilkinson	Financial Director

Independent Auditors' Report

To the Members of the Fayette
County Solid Waste Management
Commission:

We have audited the accompanying financial statements of the Fayette County Solid Waste Management Commission as of and for the year ended June 30, 2004. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fayette County Solid Waste Management Commission at June 30, 2004, and the changes in its financial position and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 9, during the year ended June 30, 2004, Fayette County Solid Waste Management Commission adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures. The Fayette County Solid Waste Management Commission also changed its capital asset capitalization threshold as described in Note 10.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2004 on our consideration of the Fayette County Solid Waste Management Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 3 - 7 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

September 15, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fayette County Solid Waste Management Commission provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with Fayette County Solid Waste Management Commission's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- * The Commission's operating revenues decreased 6%, or \$64,784, from fiscal 2003 to 2004. Gate fees remained the same while County and City assessments and other revenues decreased.
- * The Commission's operating expenses were 18%, or \$190,478, less in fiscal 2004 than in fiscal 2003.
- * The Commission's net assets increased 35%, or \$314,965, from June 30, 2003 to June 30, 2004.

USING THIS ANNUAL REPORT

The Fayette County Solid Waste Management Commission is a single Enterprise Fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to the Commission's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Commission's financial activities.

The Statement of Net Assets presents information on the Commission's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Assets is the basic statement of activities for proprietary funds. This statement presents information on the Commission's operating revenues and expenses, non-operating revenues and expenses and whether the Commission's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Commission's cash and cash

equivalents during the year. This information can assist the user of the report in determining how the Commission financed its activities and how it met its cash requirements.

The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

FINANCIAL ANALYSIS OF THE COMMISSION

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of the Commission's financial position. The Commission's net assets for fiscal 2004 totaled approximately \$1,204,012. This compares to approximately \$889,047 for fiscal 2003. A summary of the Commission's net assets is presented below.

Net Assets	
	June 30, 2004
Current Assets	\$ 390,256
Unrestricted Investments	500,000
Restricted investments	1,813,837
Capital assets at cost, less accumulated depreciation	<u>1,349,138</u>
Total Assets	<u>4,053,231</u>
Current liabilities	119,953
Non-current liabilities	<u>2,729,266</u>
Total Liabilities	<u>2,849,219</u>
Net assets:	
Invested in capital assets, net of related debt	1,349,138
Restricted	1,813,837
Unrestricted	<u>(1,958,963)</u>
Total net assets	<u>\$1,204,012</u>

The largest portion of the Commission's net assets is restricted for closure and post closure care and for tonnage fees due to the State of Iowa. State and federal laws and regulations require the Commission to place a final cover on the landfill sites and perform certain maintenance and monitoring functions at the landfill sites for a minimum of thirty years after closure. The invested in capital assets (e.g., land, buildings and equipment), less the related debt portion of net asset are resources allocated to capital assets. The remaining net assets are the unrestricted net assets which are presently a negative figure.

Statement of Revenues, Expenses and Changes in Net Assets

Operating revenues are received for gate fees from accepting solid waste and assessments from the residents of the County. Operating expenses are expenses paid to operate the landfill. Non-operating revenues and expenses are for interest income and interest expense. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net assets for the year ended June 30, 2004 is presented below:

Changes in Net Assets	
	Year Ended June 30, 2004
Operating revenue:	
Gate fees	\$249,301
DNR fees	36,500
County and city assessments	937,263
Other operating revenues	<u>1,782</u>
Total operating revenue	<u>1,224,846</u>
Operating expenses:	
Landfill Management	177,600
Wages and benefits	227,228
Repairs and maintenance	28,410
Trucking	90,296
Engineering services	25,271
Education and training	5,670
Legal and accounting	16,235
Depreciation and depletion	131,700
IA. Department of Natural Resources tonnage fees	21,266
Landscaping	14,035
Appliance recycling	13,782
Tire recycling	1,994
Electronic recycling	0
Leachate operations	4,260
Well maintenance and monitoring	5,329
Insurance	27,093
Supplies	17,553
Site utilities	10,582
Office expenses	25,377
Fuel	1,246
Closure and postclosure expense	67,001
Total operating expenses	<u>911,928</u>
Operating income	<u>312,918</u>
Non-operating revenues (expenses):	
Interest expense	\$55,167
Rental income	1,547
Interest income	<u>55,667</u>
Net non-operating revenue	<u>2,047</u>

Operating transfer in (out)	0
Increase in net assets	314,965
Retained earnings beginning of year	<u>889,047</u>
Retained earnings end of year	<u>\$1,204,012</u>

The Statement of Revenues, Expenses and Changes in Net Assets reflects a positive year with an increase in the net assets at the end of the fiscal year.

In fiscal 2004, operating revenues decreased by \$64,784, or 6%, primarily a result of reduced County & City assessments of \$19,025, a decrease in volume of collections of 249.63 tons and a reduction in the land rent. Operating expenses decreased by \$190,478, or 18%. The decrease was primarily a result of a decrease of estimated closure and post closure care costs by approximately \$151,271.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes gate fees and assessments reduced by payments to employees and to suppliers. Cash used from capital and related financing activities includes lease payments and the purchase of capital assets. Cash used by investing activities includes purchase of certificates of deposits and interest income.

CAPITAL ASSETS

At June 30, 2004, the Commission had approximately \$2,352,614 invested in capital assets, net of accumulated depreciation of approximately \$1,003,477. Depreciation charges totaled \$131,700 for fiscal 2004. More detailed information about the Commission's capital assets is presented in Note 4 to the financial statements.

LONG-TERM DEBT

At June 30, 2004, the Commission had \$2,729,266 in debt outstanding, a decrease of \$36,042 from 2003. The table below summarizes outstanding debt by type.

	June 30, 2004
Revenue Note Payable (less current maturities)	\$1,226,174
Closure and postclosure care cost	1,503,092
Total	\$2,729,266

Additional information about the Commission's long term debt is presented in Notes 5 and 6 to the financial statements.

ECONOMIC FACTORS

The Fayette County Solid Waste Management Commission continued to improve its financial position during the current fiscal year. Some of the realities that may potentially become challenges for the Commission to meet are:

- * Facilities at the Commission require constant maintenance and upkeep.

- * Technology continues to expand and current technology becomes outdated presenting an on going challenge to maintain up to date technology at a reasonable cost.
- * Annual deposits require to be made to the closure and post closure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.

The Commission anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Commission's ability to react to unknown issues.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Fayette County Solid Waste Management Commission, P.O. Box 269, West Union, Iowa 52175.

BASIC FINANCIAL STATEMENTS

Exhibit A**FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION****STATEMENT OF NET ASSETS**

June 30, 2004

Assets

Current Assets	
Cash	\$334,653
Accounts Receivable	30,248
Prepaid Insurance	25,355
Total Current Assets	390,256
Non-Current Assets	
Unrestricted Investments	500,000
Restricted Investments	1,813,837
Capital Assets (Net of Accumulated Depreciation)	1,349,138
Total Non-Current Assets	3,662,975
Total Assets	\$4,053,231

Liabilities and Net Assets

Current Liabilities	
Accounts Payable	\$37,228
Current Maturities of Long-Term Debt	81,578
Accrued Interest	1,147
Total Current Liabilities	119,953
Non-Current Liabilities	
Revenue Note Payable, Less Current Maturities Above	1,226,174
Landfill Closure and Postclosure Care Costs	1,503,092
Total Non-Current Liabilities	2,729,266
Total Liabilities	2,849,219
Net Assets	
Investment in Capital Assets, Net of Related Debt	1,349,138
Restricted for Closure and Postclosure Care Costs	1,813,837
Unrestricted	(1,958,963)
Total Net Assets	\$1,204,012

See notes to financial statements.

Exhibit B**FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION****STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS**

Year Ended June 30, 2004

OPERATING REVENUES	
County and City Assessments	\$937,263
Material Sales and Fees	249,301
DNR Fees	36,500
Other Operating Revenues	1,782
Total Operating Revenues	1,224,846
OPERATING EXPENSES	
Landfill Management	177,600
Wages and Benefits	227,228
Repairs and Maintenance	28,410
Trucking	90,296
Engineering Services	25,271
Education and Training	5,670
Legal and Accounting	16,235
Depreciation and Depletion	131,700
Iowa Department of Natural Resources Tonnage Fees	21,266
Landscaping	14,035
Appliance Recycling	13,782
Tire Recycling	1,994
Leachate Operations	4,260
Well Maintenance and Monitoring	5,329
Insurance	27,093
Supplies	17,553
Site Utilities	10,582
Office Expenses	25,377
Fuel	1,246
Closure and Postclosure Expense	67,001
Total Operating Expenses	911,928
Operating Income	312,918
Non-Operating Revenues (Expenses)	
Interest Expense	(55,167)
Rental Income	1,547
Interest Income	55,667
Total Non-Operating Revenues	2,047
Change in Net Assets	314,965
Net Assets Beginning of Year, As Restated	889,047
Net Assets End of Year	\$1,204,012

See notes to financial statements.

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION**STATEMENT OF CASH FLOWS**

Year Ended June 30, 2004

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Assessments	\$937,263
Cash Received from Gate Fees	131,642
Cash Received from Other Operating Receipts	156,520
Cash Payments to Suppliers for Goods and Services	(476,818)
Cash Payments to Employees for Services	(227,506)
Net Cash Provided by Operating Activities	521,101

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal Payments on Revenue Note	(105,051)
Interest Payments on Revenue Note	(54,950)
Purchase of Fixed Assets	(11,475)
Rents Received	1,547
Net Cash Used for Capital and Related Financing Activities	(169,929)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Certificate of Deposit	(555,823)
Interest Received	57,435
Net Cash Used in Investing Activities	(498,388)

Net Decrease in Cash and Cash Equivalents	(147,216)
---	-----------

Cash and Cash Equivalents – Beginning of Year	481,869
---	---------

Cash and Cash Equivalents – End of Year	\$334,653
---	-----------

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating Income	\$312,918
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation and Depletion	131,700
Closure and Postclosure Care Costs	67,001
Changes in Assets and Liabilities	
Decrease in Accounts Receivable	604
Decrease in Prepaid Items	7,088
Increase in Payables	1,790
Total Adjustments	208,183
Net Cash Provided by Operating Activities	\$521,101

See notes to financial statements.

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Fayette County Solid Waste Management Commission was formed in 1996 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Commission is to operate the sanitary landfill and recycling center in Fayette County for use by all residents of the County.

The Commission is composed of one representative from each of the thirteen member cities and five representatives from Fayette County. The member cities are: Arlington, Clermont, Elgin, Fayette, Hawkeye, Maynard, Oelwein, Randalia, St. Lucas, Wadena, Waucoma, Westgate and West Union. Each member shall be entitled to one vote for each 1,000 people or fraction thereof as determined by the most recent General Federal Census.

The Commission's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. REPORTING ENTITY

For financial reporting purposes, the Fayette County Solid Waste Management Commission has included all funds, organizations, agencies, boards, commissions and authorities. The Commission has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Commission are such that exclusion would cause the Commission's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Commission to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Commission. Fayette County Solid Waste Management Commission has no component units which meet the Governmental Accounting Standards Board criteria.

B. BASIS OF PRESENTATION

The accounts of Fayette County Solid Waste Management Commission are organized as an enterprise fund. Enterprise funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been sent.

The Commission applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinion and Accounting Research Bulletins of the Committee on Accounting Procedures.

The Commission distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Commission's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. ASSETS, LIABILITIES AND NET INVESTMENTS

The following accounting policies are followed in preparing the Statement of Net Assets:

Cash and Cash Equivalents - The Commission considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

Accounts Receivable – The Commission considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Unrestricted Assets – Funds designated not restricted, by the Commission for future capital expenditures.

Restricted Investments – Funds set aside for payment of closure and postclosure care costs are classified as restricted.

Capital Assets – Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

E. ASSETS, LIABILITIES AND FUND EQUITY (Continued)

Capital Assets (Continued) – Reportable capital assets are defined by the Commission as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Buildings and Improvements	\$25,000
Equipment and Vehicles	5,000

Capital assets of the Commission are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	40-50
Building Improvements	20-50
Equipment and Vehicles	2-20

The depletion rate is determined by the cell cost and its remaining capacity at year end. The rate per ton used June 30, 2004 and 2003 was determined to be \$10.32.

Interest is capitalized on qualified assets acquired with certain tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. There were no qualifying assets acquired during the year ended June 30, 2004.

Revenue Recognition – Operating revenue is recognized when solid waste is delivered and weighed by the Commission, and when recycled material is shipped from the recycling facility. Revenue from assessments is recognized at the time the levy is due.

Payroll and Related Costs – The Commission leases the services of employees from Fayette County for landfill administration and operations of the recycling center. The Commission reimburses the County for the direct labor costs and costs of benefits provided to these employees on the monthly basis.

Management Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk – Financial instruments that potentially subject the Commission to significant concentration of credit risk consist principally of accounts receivable. The Commission grants credit to governmental and private sector customers

who pay fees on a monthly basis, substantially all of whom are located in Northeast Iowa.

Notes to Financial Statements (Continued)

Note 2: Cash and Investments

The Commission's deposits at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to insure there will be no loss of public funds.

The Commission is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Commission; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Commission had no investments meeting the disclosure requirements of Governmental Auditing Standards Board Statements Number 3.

Note 3: Pension and Retirement Benefits

The Commission contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the Commission is required to contribute 5.75% of annual payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by state statute. The Commission's contribution to IPERS for the years ended June 30, 2004, 2003 and 2002 are recorded on Fayette County's expenditures as the county pays the contribution and is reimbursed by the Commission.

Note 4: Capital Assets

A summary of property and equipment at June 30, 2004 is as follows:

	Balance Beginning of Year as Restated (Note 10)	Increases	Decreases	Balance End of Year
Capital assets not being depreciated				
Land and Improvements	\$939,126	\$ 0	\$ 0	\$939,126
Capital assets being depreciated				
Buildings	375,096	0	0	375,096
Equipment and Vehicles	295,027	15,531	(18,928)	291,630
Cell Development	746,762	0	0	746,762

Total Capital assets being depreciated	1,416,885	15,531	(18,928)	1,413,488
--	-----------	--------	----------	-----------

Notes to Financial Statements (Continued)

Note 4: Capital Assets (Continued)

	Balance Beginning of Year as Restated (Note 10)	Increases	Decreases	Balance End of Year
Less accumulated depreciation for				
Buildings	\$95,595	\$6,039	\$ 0	\$101,634
Equipment and Vehicles	221,303	26,007	(14,872)	232,438
Cell Development	569,750	99,654	0	669,404
Total accumulated depreciation	886,648	131,700	(14,872)	1,003,476
Total Capital Assets being depreciated, Net	530,237	(116,169)	(4,056)	410,012
Total Capital assets, Net	\$1,469,363	\$(116,169)	\$(4,056)	\$1,349,138

Note 5: Revenue Note Payable

On December 9, 2002, the Commission issued a \$1,500,000 Solid Waste Disposal Revenue Note. The purpose of the note was to provide funds to fund postclosure costs for the landfill and to refund outstanding Solid Waste Revenue Notes, Series 1996.

The note is not a general obligation of the Commission, and is payable solely and only from Net Revenue of the Commission and any monies lawfully available.

The Commission may prepay principal of the note in whole or in part at any time prior to maturity.

A summary of the revenue note payable as of June 30, 2004 is as follows:

	Total	Current
First National Bank, Oelwein, Iowa		
4.00% (variable) solid waste disposal revenue		
note payable, due \$40,000 quarterly, including		
interest, through April 1, 2014,		
final payment due July 1, 2014	\$1,307,752	\$81,578

Based upon the current rate of interest, a summary of principal and interest maturities is as follows:

Year Ending June 30,	Principal	Interest
2005	\$81,578	\$38,422
2006	112,628	47,372
2007	117,202	42,798
2008	121,960	38,040
2009 & Thereafter	874,384	117,226
	\$1,307,752	\$283,858

Notes to Financial Statements (Continued)

Note 6: Closure and Postclosure Care Costs

To comply with federal and state regulations, the Association is required to complete a monitoring system plan and a closure/postclosure plan and to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total cost consists of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for Fayette County Solid Waste Management Commission have been estimated at \$583,570 for closure and \$1,133,649 for postclosure, for a total of \$1,717,219 as of June 30, 2004, and the portion of the liability that has been recognized is \$1,503,092. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2004. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of the landfill is 5 years and the capacity used at June 30, 2004 is approximately 88 percent.

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care accounts. The Commission has begun accumulating resources to fund these costs and, at June 30, 2004, assets of \$1,813,837 are restricted for these purposes, of which \$583,570 is for closure and \$1,230,267 is for postclosure care. They are reported as restricted investments and restricted net assets on the Statement of Net Assets.

Notes to Financial Statements (Continued)

Note 7: Solid Waste Tonnage Fees Retained

The Commission has established an account for restricting and using solid waste tonnage fees retained by the Association in accordance with Chapter 455B.310 of the Code of Iowa.

At June 30, 2004, there were no unspent amounts retained by the Association and restricted for the required purposes.

Note 8: Risk Management

The Commission is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Commission assumes liability for any deductibles and claims in excess of coverage limitations.

Note 9: Accounting Change

For the year ended June 30, 2004, the Commission implemented Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*; Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*; and Statement No. 38, *Certain Financial Statements Note Disclosure*.

Implementation of these statements had no effect on the beginning balances of the Commission.

Note 10: Restatement

The Commission revised its capitalization policy for capital assets. The threshold for capitalizing equipment increased from \$50 to \$5,000. The policy applies the threshold to individual items and not items in the aggregate. This resulted in a restatements of the beginning balance of capital assets and net assets.

Net assets June 30, 2003, as previously reported	\$944,822
Deletion of capital assets under the new capitalization threshold	<u>(55,775)</u>
Net assets July 1, 2003, as restated	<u>\$889,047</u>

Note 11: Joint Venture

The Commission has a 28E agreement with Fayette County whereby the Engineer Department’s office manager performs the duties of finance director for the Commission.

SUPPLEMENTAL INFORMATION

Schedule 1**FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION****COMBINING STATEMENT OF NET ASSETS**

June 30, 2004

Assets	Landfill	Recycling	Total
Current Assets			
Cash and Cash Equivalents	\$30,580	\$304,073	\$334,653
Accounts Receivable	9,708	20,540	30,248
Prepaid Insurance	23,383	1,972	25,355
Total Current Assets	63,671	326,585	390,256
Non-Current Assets			
Unrestricted Investments	500,000	0	500,000
Restricted Investments	1,813,837	0	1,813,837
Capital Assets (Net of Accumulated Depreciation)	1,214,708	134,430	1,349,138
Total Non-Current Assets	3,528,545	134,430	3,662,975
Total Assets	\$3,592,216	\$461,015	\$4,053,231
Liabilities and Net Assets			
Current Liabilities			
Accounts Payable	\$18,131	\$19,097	\$37,228
Current Maturities of Long-Term Debt	81,578	0	81,578
Accrued Interest	1,147	0	1,147
Total Current Liabilities	100,856	19,097	119,953
Non-Current Liabilities			
Revenue Note Payable	1,226,174	0	1,226,174
Landfill Closure and Postclosure Care Costs	1,503,092	0	1,503,092
Total Non-Current Liabilities	2,729,266	0	2,729,266
Net Assets			
Invested in Capital Assets, Net of Related Debt	1,214,708	134,430	1,349,138
Restricted For			
Closure and Postclosure Care Costs	1,813,837	0	1,813,837
Unrestricted	(2,266,451)	307,488	(1,958,963)
Total Net Assets	\$762,094	\$441,918	\$1,204,012

See accompanying independent auditors' report.

Schedule 2**FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION****COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS**

Year Ended June 30, 2004

	Landfill	Recycling	Total
OPERATING REVENUES			
County and City Assessments	\$675,315	\$261,948	\$937,263
Material Sales and Fees	94,055	155,246	249,301
DNR Fees	36,500	0	36,500
Other Operating Revenues	1,690	92	1,782
Total Operating Revenues	807,560	417,286	1,224,846
OPERATING EXPENSES			
Landfill Management	177,600	0	177,600
Wages and Benefits	59,733	167,495	227,228
Repairs and Maintenance	1,640	26,770	28,410
Trucking	0	90,296	90,296
Engineering Services	25,271	0	25,271
Education and Training	145	5,525	5,670
Legal and Accounting	11,831	4,404	16,235
Depreciation and Depletion	114,729	16,971	131,700
Iowa Department of Natural Resources Tonnage Fees	21,266	0	21,266
Landscaping	14,035	0	14,035
Appliance Recycling	13,782	0	13,782
Tire Recycling	1,994	0	1,994
Leachate Operations	4,260	0	4,260
Well Maintenance and Monitoring	5,329	0	5,329
Insurance	19,151	7,942	27,093
Supplies	4,954	12,599	17,553
Site Utilities	888	9,694	10,582
Office Expenses	19,349	6,028	25,377
Fuel	0	1,246	1,246
Closure and Postclosure Expense	67,001	0	67,001
Total Operating Expenses	562,958	348,970	911,928
Operating Income	244,602	68,316	312,918
Non-Operating Revenues (Expenses)			
Interest Expense	(55,167)	0	(55,167)
Rental Income	1,547	0	1,547
Interest Income	54,938	729	55,667
Total Non-Operating Revenues (Expense)	1,318	729	2,047
Net Income	245,920	69,045	314,965
Other Financing Sources (Uses)			
Operating Transfer in (Out)	105,000	(105,000)	0
Retained Earnings – Beginning of Year	411,174	477,873	889,047
Retained Earnings – End of Year	\$762,094	\$441,918	\$1,204,012

See accompanying independent auditors' report.

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION**COMBINING STATEMENT OF CASH FLOWS**

Year Ended June 30, 2004

	Landfill	Recycling	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Assessments	\$675,315	\$261,948	\$937,263
Cash Received from Gate Fees	131,642	0	131,642
Cash Received from Other Operating Receipts	1,690	154,830	156,520
Cash Payments to Suppliers for Goods and Services	(315,478)	(161,340)	(476,818)
Cash Payments to Employees for Services	(59,256)	(168,250)	(227,506)
Net Cash Provided by Operating Activities	433,913	87,188	521,101
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Transfer to (from) Funds	105,000	(105,000)	0
Principal Payments on Revenue Note	(105,051)	0	(105,051)
Interest Payments on Revenue Note	(54,950)	0	(54,950)
Purchase of Fixed Assets	0	(11,475)	(11,475)
Rents Received	1,547	0	1,547
Net Cash Used for Capital and Related Financing Activities	(53,454)	(116,475)	(169,929)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Certificate of Deposit	(555,823)	0	(555,823)
Interest Received	56,705	730	57,435
Net Cash Provided by (Used in) Investing Activities	(499,118)	730	(498,388)
Net Increase (Decrease) in Cash and Cash Equivalents	(118,659)	(28,557)	(147,216)
Cash and Cash Equivalents – Beginning of Year	149,239	332,630	481,869
Cash and Cash Equivalents – End of Year	\$30,580	\$304,073	\$334,653
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income	\$244,602	\$68,316	\$312,918
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation and Depletion	114,729	16,971	131,700
Closure and Postclosure Care Costs	67,001	0	67,001
Changes in Assets and Liabilities			
(Increase) Decrease in Accounts Receivable	1,111	(507)	604
(Increase) Decrease in Prepaid Items	9,060	(1,972)	7,088
Increase (Decrease) in Payables	(2,590)	4,380	1,790
Total Adjustments	189,311	18,872	208,183
Net Cash Provided by Operating Activities	\$433,913	\$87,188	\$521,101

See accompanying independent auditors' report.

Independent Auditors' Report on Compliance And on Internal Control Over Financial Reporting

To the Members of the Fayette County
Solid Waste Management Commission:

We have audited the financial statements of the Fayette County Solid Waste Management Commission, as of and for the year ended June 30, 2004, and have issued our report thereon dated September 15, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Fayette County Solid Waste Management Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Commission's operations for the ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Commission. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for item (1).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fayette County Solid Waste Management Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Fayette County Solid Waste Management Commission's ability to record, process, summarize and report financial data consistent with the

assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above to be a material weakness. Prior year reportable conditions have been resolved except for item (A).

This report, a public record by law, is intended solely for the information and use of the members and constituents of Fayette County Solid Waste Management Commission and other parties to whom the Commission may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Fayette County Solid Waste Management Commission during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

September 15, 2004

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITION:

- (A) Segregation of Duties – An important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that one person has control over each of the following areas of the Commission:

- (1) Accounting System – record keeping for revenues and expenses, and related reporting.
- (2) Bank Reconciliation – preparation and maintenance of accounting records.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Commission should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response – Due to the limited number of office employees, segregation of duties is very difficult. However, we have the executive secretary review receipts and expenditures on a weekly basis and bank reconciliations monthly.

Conclusion – Response accepted.

Other Findings Related to Statutory Reporting:

- (1) Official Depositories – A resolution naming official depositories has been adopted by the Commission. The maximum amounts stated in the resolution were not exceeded during the year ended June 30, 2004. However, it was noted that Farmers Savings Bank – West Union underwent a name change and the Commission did not adopt a new resolution reflecting the change. Also, the Commission purchased two certificates of deposit at Farmers Savings Bank – Arlington in April 2004 and did not amend the depository resolution to include this depository until June 2004.

Recommendation – When a depository undergoes a name change, a new depository resolution should be adopted by the Commission to reflect the change. The Commission should refrain from depositing funds in unapproved depositories.

Response – We will amend the depository resolution to reflect the name change immediately. In the future, we will approve depositories before investing Commission funds.

Conclusion – Response accepted.

FAYETTE COUNTY SOLID WASTE MANAGEMENT COMMISSION

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

- (2) Questionable Expenses – No expenses that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No expenditures of money for travel expenses of spouses of Commission officials or employees were noted.
- (4) Board Minutes – No transactions were found that we believe should have been approved in the Commission minutes but were not. However, the Executive Board of the Commission went into closed session on November 19, 2003 without following proper procedures.

Recommendation – The Commission should ensure the provisions of Chapter 21.5 are followed regarding closed sessions.

Response – This recommendation will be followed for future closed sessions.

Conclusion – Response accepted.

- (5) Deposits and Investments – The Commission has adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.
- (6) Solid Waste Tonnage Fees Retained – During the year ended June 30, 2004, the Commission used or retained the solid waste fees in accordance with Chapter 455B.310 of the Code of Iowa.
- (7) Financial Assurance – The Commission has demonstrated financial assurance for closure and postclosure care costs by establishing a local government dedicated fund as provided in Chapter 111.6(8) of the Iowa Administrative Code.

News Release

Gardiner Thomsen, today released an audit report on Fayette County Solid Waste Management Commission.

The Commission had total revenues of \$1,282,060 which included gate fees of \$249,301 and County and City assessments of \$937,263.

Expenses totaled \$967,095 for the year ended June 30, 2004, which included \$227,228 for wages and benefits, \$177,600 for landfill management, and the recognition of \$67,001 in closure and postclosure costs.

This report contains recommendations to the Commission. For example, segregation of duties should be implemented to prevent an individual employee from handling duties which are incompatible. The Commission responded that it would be difficult with a limited staff but it would review its operating procedures to obtain the maximum internal control possible under the circumstances.

A copy of the audit report is available for review in the office of the Auditor of State and the Fayette County Solid Waste Management Commission.

#####